

CITY OF PULLMAN
Whitman County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. The City Should Establish, Improve And Strengthen Internal Controls Over Cash Receipts At Decentralized Locations

During our review of cash receipting procedures at various city departments we noted significant weaknesses in the internal controls as follows:

- a. Receipts held in lockboxes and night-drops are being collected by one person, and in some instances, this person has custody of the only key. As a result, the completeness of deposits cannot be reasonably determined.
- b. Only one employee opens the mail and this person is also responsible for cash receipting duties. This results in incompatible duties being performed and the completeness of deposits related to mail receipts cannot be reasonably determined.
- c. Access to change funds and cash drawers is not restricted, and nearly all employees perform the receipting function. As a result, accountability for cash receipts cannot be assigned to a specific individual.
- d. Some departments do not have written policies and procedures defining each employee's responsibilities in the cash receipting process. This results in the sharing of duties that are incompatible and no individual being accountable for cash receipts.
- e. Access to computerized receipting applications is not always restricted. Also, employees acting as cashiers also have fee override capabilities. This results in incompatible duties.
- f. Some departments do not issue a receipt for each individual cash receipt transaction. As a result, the completeness of daily deposits cannot be reasonably determined.
- g. In some instances, a single individual completes the receipting, reconciling, and depositing functions, with no additional review of these duties. This results in incompatible duties.
- h. One department operates a restricted donation fund. This fund is used to aid individuals in the cost of program fees. Applications for the funds do not indicate supervisory review or approval, and enrollment receipts do not indicate an individual's participation in the program to support the reduced fees charged. As a result, it cannot be reasonably determined that the program is operating as authorized.

Decentralized cash receipting locations represent an area of increased risk. In the absence of an adequate system of internal controls over cash, the likelihood that errors and irregularities may occur and not be detected is greatly increased. Many of the weaknesses stated above have been communicated to city officials in prior audits.

We recommend that city officials establish, improve, and strengthen internal controls over cash receipts at the decentralized locations to ensure that accountability for cash receipts is maintained.

CITY OF PULLMAN
Whitman County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Federal Findings

1. Accounting Controls Over The Water-Sewer Utility Fund's Fixed Assets Should Be Implemented As Required By City Policies And Federal Regulations

As reported in prior audits, the following instances of noncompliance with federal laws or regulations are considered both material and reportable conditions:

- a. Detailed subsidiary listings of the utility fixed assets are not maintained with sufficient information to determine the valuation basis. The annual physical inventories of the city's fixed assets are incomplete. The resulting documentation is insufficient to verify the existence, location, and condition of property owned by the city on a timely basis.
- b. The city's written policies and procedures for fixed asset record maintenance have not been uniformly implemented:

The "Common Rule," Subpart C. Section_.32(d)(1) states:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Because these weaknesses exist, the city is unable to:

- a. Fix responsibility for safeguarding fixed assets.
- b. Fix responsibility for custody and proper use of fixed assets.
- c. Properly manage fixed assets.
- d. Prepare complete and accurate financial reports.
- e. Ensure federal financial assistance compliance with the "Common Rule" administrative requirements of Section 32, Equipment.

Discussions with the city's finance director indicate that the city has contracted with asset valuation specialists to resolve these issues.

We again recommend:

- a. The city establish a valuation basis for the utility's fixed assets; and
- b. The city's policies and procedures for fixed assets be implemented.

2. The City Should Establish An Integrated Grant Accounting System

The city's accounting system does not adequately identify the use of grant funds. Expenditures reported in the requests for reimbursement are prepared from departmental records which may not agree to the expenditures recorded in the centralized accounting system.

The *Budgeting, Accounting, and Reporting System (BARS)* manual, Volume 1, Part 3, Chapter 5, page 1 states in part:

OMB Circular A-128 "Audits of State and Local Governments," established many specific audit requirements, and in turn these requirements necessitate the following accounting procedures:

1. Grant accounting must be integrated with the recipient's general accounting records so claims for reimbursements or advances are supportable by the books and records.

Staffing and software limitations have restricted the city's establishment of the account coding structure necessary to accomplish the required integrated grant accounting. Without integrated grant accounting, the city is unable to assure that costs are not double billed or cross charged to more than one grant or that the centralized accounting records will agree with specific department grant files.

We recommend the city establish and implement an integrated grant accounting system.